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C O N F I D E N T I A L SECTION 01 OF 02 MUSCAT 000734

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STATE FOR NEA, NEA/ARPI, NEA/RA, T, P

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TAGS: [PREL](#) [MNUC](#) [ETRD](#) [IR](#) [MU](#)

SUBJECT: OMANI FM ON IRAN DISCUSSIONS, GCC SUMMIT, FTA, AND  
ISRAEL BOYCOTT

REF: A. MUSCAT 671

[1](#)B. MUSCAT 649

[1](#)C. MUSCAT 622

[1](#)D. MUSCAT 590

Classified By: Ambassador Gary A. Grappo. Reason: 1.4 (b, d).

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SUMMARY  
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[1](#)1. (C) In a May 9 meeting with Ambassador, Minister Responsible for Foreign Affairs Yusuf bin Alawi summarized his recent trip to Europe, stating that while no one desires confrontation with Iran regarding its nuclear program, there is concern over Tehran's intent. Bin Alawi reported receiving a phone call on May 8 from the Iranian FM, who discussed Ahmadinejad's letter to President Bush and expressed Iran's desire for peace and its readiness to defend itself. Summarizing the recent GCC consultative summit in Riyadh, Bin Alawi said he passed to the Iranian Foreign Minister the possibility of an Omani-led GCC delegation to Tehran to discuss regional issues, including the nuclear issue. Regarding the U.S.-Oman Free Trade Agreement, Bin Alawi said the Israel boycott law still on the books is not enforced and will eventually be removed in its entirety. End Summary.

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Oman Shares European Assessment of Iran  
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[1](#)2. (C) In a May 9 meeting with the Ambassador, Omani Foreign Minister Yusuf bin Alawi described his recent trip to Europe (London, Berlin, and Vienna). He summarized the general view there as being one of considerable doubt over Iran's nuclear intentions, since Tehran has no credible need for indigenous nuclear fuel production capacity. He said Oman appreciates and fully agrees with the European position, explaining that Oman hopes to use the current UN Security Council discussions as a message to the Iranians "not to push this matter too far."

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Phone Call From Tehran  
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[1](#)3. (C) Bin Alawi also discussed a telephone call that he received the evening of May 8 from his Iranian counterpart concerning the Iranian president's letter to President Bush. Bin Alawi stated that Iran's overture might be sincere and more than just rhetoric since Iran, as mentioned by the Iranian FM in the phone call, will not publicize the letter's contents. However, Oman will reserve final judgment on the letter until it has been seen and studied it, and heard

Washington's reaction. Bin Alawi said the Iranian FM told him the letter was lengthy and contained many Quranic references. Bin Alawi stressed that he believed that the letter came from "higher authorities," including the Supreme Leader, and was not Ahmadinejad's initiative. He saw the letter as an ironic reversal of Ahmadinejad's recent statement opposing dialogue with the U.S., and proof that Supreme Leader Khamenei was calling the shots. The letter, according to the Iranian FM, reflects Iran's desire to be acknowledged as a regional power. Bin Alawi's request for a copy of the letter was rejected pending Iran's determination of USG reaction. Bin Alawi noted that the Iranian FM is leaving for Indonesia May 10, and that Tehran expects to know in two days' time Washington's reaction.

14. (C) In response to Ambassador's query on the letter's timing, Bin Alawi stated that the Iranian Foreign Minister stressed that Tehran was looking for peace, not confrontation, but that if confrontation were "imposed," Iran would be ready. Bin Alawi stated his belief that Tehran "means business." The Ambassador noted that there is speculation on why Iran would send such a letter with the UN Security Council poised to take action, and that there are questions over how serious the Iranian move is. Bin Alawi said that the Iranian Foreign Minister had confirmed that "Tehran is serious." Bin Alawi asked if the U.S. would share the contents of the letter, or parts of it, with the Omanis.

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GCC Mission to Tehran  
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15. (C) Asked about a possible visit to Tehran, Bin Alawi said nothing had yet been decided. He noted that the recent GCC summit in Riyadh mulled sending an Omani-led GCC delegation

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to Tehran to discuss the nuclear issue and other regional issues. While environmental concerns would be the putative intent, it was merely a "facade" since "we want to go deeper." Bin Alawi stressed that there is currently no time frame for the visit, and that there is no desire to go with UN discussions ongoing. Bin Alawi stated his belief that his Iranian counterpart had probably called other GCC Foreign Ministers, too, to inquire about the proceedings of the latest GCC conference.

16. (C) Regarding the remainder of the GCC consultative summit's agenda, Bin Alawi stated that there was nothing new concerning the Palestinian issue, but that participants were concerned that no avenues exist to transfer money to the Palestinian Authority. He noted the presence of USD 19 million in Arab League-held bank accounts in Cairo, and doubted whether this would be cleared. He also noted that members had discussed converting the sum into Euros, but that he understood the core of the problem to be transferring funds between Israeli and Palestinian banks, and from Egyptian banks not wishing to violate U.S. Treasury transaction restrictions.

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FTA Update  
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17. (C) Regarding the U.S. - Omani Free Trade Agreement, Bin Alawi stated that Oman's current customs law, which treats the AL boycott, is outdated would be removed in due time. However, the boycott provisions are not enforced. Bin Alawi stated his belief that labor issues had been resolved, but offered to provide a second letter to the USG regarding Oman's non-enforcement of the boycott.  
GRAPPO